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FISCAL IMPACT STATEMENT

LS 7042 | **NOTE PREPARED:** Jan 4, 2011
BILL NUMBER: SB 345 | **BILL AMENDED:**

SUBJECT: Unemployment Insurance Bonds.

FIRST AUTHOR: Sen. Tallian | **BILL STATUS:** As Introduced
FIRST SPONSOR:

FUNDS AFFECTED: | **IMPACT:** State

	GENERAL
X	**DEDICATED**
	FEDERAL

Summary of Legislation: This bill provides for the issuance of bonds to return advances received from the Federal Unemployment Trust Fund before July 1, 2011. It grants the Indiana Finance Authority the power to issue the bonds and to administer the Obligation Trust Fund. The bill also provides that an assessment to retire the bonds requires a separate act by the General Assembly after a determination is made that the bonds may be issued.

Effective Date: Upon passage; July 1, 2011.

Explanation of State Expenditures: The bill establishes a procedure for the issuance of bonds to repay the advances from the federal Unemployment Trust Fund to the Indiana Unemployment Trust Fund. The authorization of the bonds and employer rate needed to repay the bonds would require additional legislation if the Department of Workforce Development (DWD) determines that bonding will result in savings to the state and employers compared to paying the advance as required by federal law.

Currently, businesses receive a 5.4% credit on their federal unemployment insurance tax if the state has a state unemployment insurance program.. The credit is reduced by 0.3% each year if the amount the federal government has advanced the state increases. DWD estimates that amount to be about $58.8 M in CY 2011 and to increase to $176.4 M annually from CY 2011 to about CY 2017 when the current advance is projected to be repaid. Employers would also pay interest surcharge on the advancement. The surcharge is estimated to be $76.8 in CY 2011 and decrease to $2.2 M in CY 2017.

The bill would establish the procedure for the Indiana Finance Authority to issue up to $2 B in bonds with a term of 20 years to repay the loan. The annual payments at 4% would be about $141.5 M per year. If the state chooses to bond, then the Indiana Unemployment Trust Fund is projected to have a positive balance in CY 2012. As the balance in the fund increases, the employer tax rate would decrease.

Explanation of State Revenues:

Explanation of Local Expenditures: The local impact is as an employer.

Explanation of Local Revenues:

State Agencies Affected: Department of Workforce Development; Indiana Finance Authority.

Local Agencies Affected: Local units.

Information Sources:

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